

En+, The Barker Plan, and the Netherlands Economy

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SANCTIONS BACKGROUND

On April 6, the U.S. Treasury Department's Office of Foreign Asset Control (OFAC) designated a range of Russian officials and interests as subject to U.S. sanctions. This list included Russian oligarch Oleg Deripaska and the En+ Group (En+), as well as the world's second-largest aluminum company, United Company RUSAL Ltd. (RUSAL).

Mr. Deripaska currently controls 70% of En+.

En+ owns 48% of RUSAL but effectively controls it.

Aluminum production will be severely impacted if RUSAL goes out of business. Manufacturing companies that depend on aluminum, such as the metal and engineering industries, will be hard hit with global implications.

Since the Treasury Department's announcement, sanctions have been enforced against Mr. Deripaska, En+, and RUSAL.

THE BARKER PLAN

The independent Chairman of En+, Lord Gregory Barker, is aggressively responding to the OFAC's actions in an effort to lift the sanctions on En+ and Rusal. The Barker Plan has three components:

- Reduce Mr. Deripaska's ownership stake in En+ below 50%;
- Remove Mr. Deripaska from the boards of both En+ and RUSAL;
- Replace Mr. Deripaska's allies on the boards and create a super-majority of independent directors.

Through these reforms, the Barker Plan would accomplish the Trump Administration's goal of removing Mr. Deripaska from control of En+ and RUSAL. As U.S. Treasury Secretary Steven Mnuchin has stated: "*Our objective was not to put RUSAL out of business... and the first aspect would be that he (Mr. Deripaska) sells down below 50%....*" Lord Barker has the support of the company's minority shareholders, its independent board, and the London Stock Exchange.

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Numerous significant steps to implement the Barker Plan have already been successfully executed. In just over two months, the Barker Plan has:

- Been unanimously endorsed by the company's board, including the proposed change in ownership.
- Resulted in Lord Barker formally accepting Mr. Deripaska's resignation as an En+ director.
- Secured Mr. Deripaska's commitment not to seek re-election as a director of RUSAL.
- Led to the CEO and seven directors of RUSAL, all of whom were appointed by Mr. Deripaska, resigning from the company on May 23.
- Resulted in Philippe Mailfait, currently an independent director of En+, being nominated to the board of RUSAL.
- Led to the President and Director of En+, who was affiliated with Mr. Deripaska, resigning from the company on June 1
- Received de facto support from the Treasury Department via OFAC's decision to grant multiple extensions on En+'s General License 13 (now 13b) and to issue a new General License 16.

In order to complete the execution of the Barker Plan, Lord Barker and En+ are requesting that OFAC de-list En+, perhaps through the creation of a provisional, time-limited authorization to allow for implementation of the final elements of the Barker Plan, on or before August 5 (the expiration date of General License 13b).

Specific aspects of the final phase include:

- En+ working with OFAC to vet and approve the slate of independent board members submitted on July 5.
- The company and OFAC engaging on the appointment of at least two proposed trustees to help ameliorate concerns regarding the dispensation of certain En+ shares.
- Gaining direction from OFAC and moving forward with the proposed Glencore transaction, which has temporarily been put on hold due to the imposition of sanctions.
- En+ continuing to work with Mr. Deripaska and his family to transfer their assets to approved organizations or trustees.
- The company working with VTB to discharge the existing loan held by the bank, ensure that certain VTB shares are voted by an independent person (already identified to OFAC on July 5), and establishing an escrow/blocked account that satisfies OFAC's requirements to ensure that Mr. Deripaska does not derive any financial benefit while he remains on the SDN list.

CONSEQUENCES OF FAILURE

A failure by OFAC to provide a path forward would have severe negative repercussions for both the administration and the global economy.

Specifically, any disruption caused to the final stage of the Barker Plan would:

- Undermine the Trump administration's message that the sanctions are achieving the desired policy goals.
- Open the Trump administration up to criticism for harming U.S. manufacturers and consumers by not allowing the Barker Plan to be completed in a timely fashion.
- And according to industry experts:
 - Cause significant disruptions to global aluminum and metals markets, which would have serious knock-on effects for businesses and consumers around the globe.
 - Lead to concomitant negative financial and substantive impacts on the entire supply chain given the role of En+ as the second-largest producer.
 - These include overall aluminum production, which could be severely limited if RUSAL goes out of business. This would lead manufacturing companies, such as the auto and shipping industries, to face global shocks.
 - Increase the global aluminum supply deficit, further squeezing some markets where major aluminum consuming countries are having to restrict operations.
 - Force consumers to seek out alternative supplies, likely from China, where emissions from the production processes are significantly higher than that which is produced by RUSAL.
- Potentially lead to En+ seeking other avenues to resolve the current impasse, including a potential acquisition by Chinese interests or the potential nationalization of the company by Russia.

SUPPORT FROM YOUR GOVERNMENT

The Netherlands has a clear and significant interest in the success of the Barker Plan. Manufacturing and jobs are at stake.

To protect the Netherlands economic interests and support the Barker Plan, we request Ambassador Schuwer take the following step:

Email a strong statement of support for the Barker Plan and all actions and/or extensions necessary to execute it to key Trump Administration officials, including:

- David Meale, Deputy Acting Assistant Secretary for Counter Threat Finance and Sanctions, U.S. State Department
MealeD@state.gov

- Seth Bridge, OFAC, U. S. Treasury Department, Seth.Bridge@treasury.gov
- Any other officials with whom you have particularly good working relationships.

(Officials' names, addresses, etc.)

Dear Mr. Meale and Mr. Bridge:

On behalf of the Netherlands, I would like to express strong support for the Barker Plan to restructure the En+ Group (En+) and United Company RUSAL Ltd. (RUSAL) in order to lift the threat of sanctions against the companies. Specifically, we request all actions and/or extensions of deadlines necessary for the Barker Plan to be fully implemented.

As the second largest producer of aluminum in the world, RUSAL impacts thousands of manufacturing jobs, including our metal and engineering industries. Continued sanctions will severely impact our economy and these jobs.

The Netherlands supports the Barker Plan as the most effective path to both avoid these severe negative impacts and achieve all the goals of U.S. sanctions. We understand that important progress has been made, including the recent resignation from the En+ board of Mr. Oleg Deripaska, the true target of U.S. sanctions, along with the resignations of eight of his appointed board members at RUSAL. Granting En+'s requests for actions and/or deadline extensions would allow the Barker Plan to be fully executed, resulting in the elimination of Mr. Deripaska's controlling interests in En+ and RUSAL.

In light of all this, on behalf of the Netherlands, I express strong support for the Barker Plan, and all actions and extensions of deadlines necessary for it to be implemented.

Please share this communication with other relevant U.S. officials. Thank you for your time and consideration.

Sincerely,

Ambassador Henne Schuwer

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